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IHS MARKIT EUROZONE CONSTRUCTION PMI®

Fastest construction activity expansion for a year

KEY FINDINGS

Solid rise in eurozone construction activity

Quicker increases in employment and purchasing

New order growth eases

February PMI® data pointed to the fastest expansion in eurozone construction activity for a year, supported by increased worker numbers and elevated input purchases. Moreover, firms were their most optimistic towards the business outlook since last June. However, positive results came amid a softer expansion in new orders.

Up from 51.9 in January, to 52.5 in February the IHS Markit Eurozone Construction PMI pointed to a faster expansion in construction activity across the currency area. In fact, the latest rise was the quickest for a year, underpinned by accelerated growth in Germany and a slight rebound in Italy. On the other hand, France recorded a slower increase for the second month in a row, with the latest expansion only fractional overall.

At the sub-sector level, overall growth was supported by home building and commercial construction projects which both increased at quicker rates compared to January. Meanwhile, although civil engineering work continued to decline, the pace of reduction was the slowest in the current seven-month sequence of contraction.

Amid a further rise in activity, eurozone construction firms continued to increase their staff numbers in February. Moreover, the rate of job creation accelerated to the quickest for almost a year. Across the euro area's three largest economies, employment growth was quickest in Germany.

Similar to the trend in employment, purchases of raw materials and other building inputs grew at a quicker pace, extending the current run of acceleration to three months. At

Total Activity Index
sa, >50 = growth since previous month



the national level, the result was predominantly driven by a sharp expansion in Germany.

Faster activity growth across the eurozone construction sector came despite a softer rise in new business during February. The latest rise was only marginal overall and the slowest since a decline last September. Decelerated growth in Germany and a modest reduction in France weighed on the overall expansion.

On the cost front, input prices faced by eurozone construction firms continued to rise in February. Moreover, the rate of inflation accelerated to the fastest in nearly a year and was historically marked. National data revealed quicker increases in both Germany and France, while inflation eased slightly in Italy.

Suppliers' delivery times in the eurozone construction sector continued to lengthen in February, extending the current run that began in September 2012. The rate of deterioration in vendor performance was slightly softer than in January, but remained historically marked.

Finally, eurozone building companies remained optimistic towards the one-year business outlook. Moreover, the degree of positivity strengthened to the highest level for eight months, supported by improved confidence in Germany and Italy.

COMMENT

Eliot Kerr, Economist at IHS Markit, which compiles the survey:

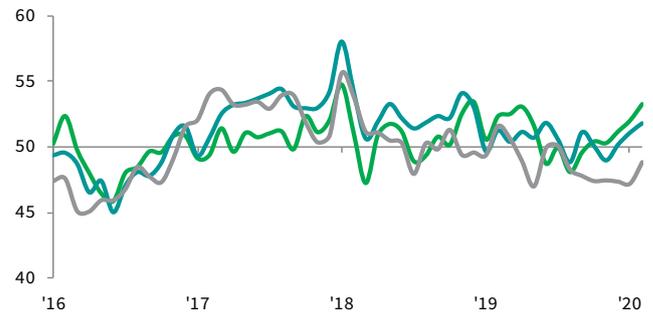
"The eurozone construction sector delivered mixed results in February as faster activity growth was accompanied by signs of a slowdown in demand.

"Despite activity rising at the quickest rate for a year, new business growth decelerated to the slowest in the current five-month sequence of expansion. Such a reading indicates softening underlying demand and can act as a prelude to slower activity growth.

"That said, firms were confident enough to continue taking on additional staff and buying extra materials, and forecasts for future activity remained strong."

Activity Index by construction category Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Total Activity Index by nation

Germany / France / Italy

sa, >50 = growth since previous month



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Methodology

The IHS Markit Eurozone Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to around 650 construction companies in Germany, France, Italy and Ireland.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable, at the country level. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Eurozone level indices are calculated by weighting together the national indices. Weights are calculated from national construction value added.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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